

# *SRC Key Initiatives*

## Getting Washington Back to Work

Final 2004



### **Minimum Wage**

*"The reality is that the higher the minimum wage, the more likely certain workers will have their hours cut or will not be employed at all."*

In 1998, voters approved Initiative 688 which provided a \$1.60 increase to the minimum wage in a two-step process by January 2000. In addition, the initiative provided for future "automatic" increases to the minimum wage based on the Consumer Price Index for urban wage earners and clerical workers (national CPI, includes Seattle).

The 1998 Washington minimum wage was \$4.90/hour, today it is \$7.16/hour, the highest of any state in the nation. The federal minimum wage is \$5.15/hour.

Employers across Washington are cutting jobs as the minimum wage climbs.

Washington's unemployment rate was 6.1 percent in February, well above the national average of 5.6 percent. Every time the state's unemployment rises by one percent, we lose 42,000 jobs.

Higher minimum wage rates, especially in some industries like agriculture, drive up the cost of goods and make it hard for Washington to compete. All border states to Washington have a lower minimum wage. Idaho's is the same as the federal rate (\$5.15/hour) and Oregon's is \$7.05/hour.

In the end, it is all about jobs. You can pay fewer people more, or you can maintain and create more jobs for people who are out of work. The two are intrinsically linked.

➤ One of the best examples of how the minimum wage destroys businesses is our asparagus industry. Del Monte Foods and Seneca Foods both processed most of Washington's asparagus. Last year, both companies shut down asparagus processing plants. We lost 500 seasonal processing jobs, and 1,500 crop-cutting jobs. Minimum wage put 2,000 families out of work.

Asparagus is hand cut. A high labor cost and cheap imports from Peru have hurt Washington asparagus growers.

➤ The restaurant association has also been hit hard. Increased labor costs historically mean fewer jobs and more business failures in Washington's hospitality industry. In 2002, restaurant employment was down more than 4.4% from 2001, translating to more than 8,300 jobs lost in the industry. The number of restaurants per capita has dropped more than 10 percent in the last five years.

➤ A 2003 study by economists Richard Vedder and Lowell Gallaway found that Washington's automatic minimum wage hikes cost the state 30,000 jobs between 1998 and 2001. It has increased unemployment by 22.5 percent and poverty by 32.7 percent.

### **ESSB 5697 – Links minimum wage increases to unemployment rates**

This bill links minimum wage increases to the state's jobless rate.

Unemployment rates change month to month. The indexing in this bill is based on the number of months when Washington's unemployment is below the national average.

For each month in a calendar year that the state's unemployment rate exceeds the national average, the state's minimum wage will not be indexed to the CPI.

For example, if an "automatic" minimum wage increase would be three percent, but Washington's unemployment rate is above the national average for six of the preceeding 12 months, then Washington's minimum wage would increase by only half that amount — 1.5 percent.

**Testified For:** Sunstone Hotels, AWB, WA Asparagus Commission, Dickinson NW, WA Growers League, Potato and Onion Assn.

**Testified Against:** Communication Workers of America, Michael Kepcha, Samuel Martinez, Suzan and Dan Carrell, Andrea Stephens, Labor Council, Assn. For Community Action, United Farm Workers, WA Citizen Action, Aleta Benedicto.

**Status:** Passed the Senate 27-22. Died in House Commerce & Labor Committee.

**SB 6605 – Stops cities and counties from raising state’s minimum wage**

Across the nation, small businesses have been hurt by local governments enacting different minimum wage standards. A business having to pay a higher minimum wage will have higher labor costs, forcing that business to raise its rates. Such businesses cannot stay competitive with companies in cities with lower minimum wage rates. To prevent this from happening in Washington, this measure would allow only the state to set minimum wage rates.

**Testified For:** NFIB, Papa Murphys, Restaurant Assn., AWB.

**Testified Against:** Labor Council

**Status:** Died in the Senate Rule Committee.